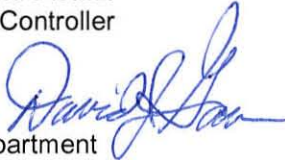


M e m o r a n d u m

To : Honorable Jerome E. Horton, Chairman
 Honorable Michelle Steel, Vice Chair
 Honorable Betty T. Yee, First District
 Senator George Runner, Second District
 Honorable John Chiang, State Controller

Date : February 12, 2014

From : David J. Gau, Deputy Director
 Property and Special Taxes Department



Subject : **2014-15 Diesel Fuel Tax Rate For Interstate Users – component b**
February 25-27, 2014 Board Meeting
Item P4 –Property and Special Taxes Deputy Director's Report

The Interstate Users – component b rate is established in accordance with Revenue and Taxation Code (R&TC) section 60116. This section provides that component b of the two component diesel fuel tax rate, be established by the Board no later than March 1 of each year. This tax is imposed on all interstate users for the privilege of using diesel fuel purchased without California sales tax to propel a qualified motor vehicle in California.

The first component is the rate imposed by R&TC section 60050 and is adjusted on July 1 of each year in order to maintain revenue neutrality. This rate adjustment is also being presented for Board approval under the Executive Director's Report as a separate agenda item. The second component, component b, is the rate as prescribed by section 60116. This component is a cents-per-gallon equivalent to the sales tax on the average retail selling price of diesel fuel purchased in California during the prior twelve-month period ending January 31. The price of diesel fuel varied between approximately \$4.00 and \$4.36 per gallon in California during this period. The average price per gallon used in last year's computation was \$4.231 compared with this year's average price per gallon of \$4.125. Effective July 1, 2014, the combined state and local sales tax rate for diesel fuel will decrease to 9.25 percent (7.50 percent + 1.75 percent).

I recommend the adoption of a diesel fuel tax rate for interstate users – component b of \$0.337 per gallon for 2014-15, a decrease of \$0.016 from the current component b rate of \$0.353. The rate was developed as follows:

\$ 4.125	Average price per gallon of diesel fuel including state excise tax and sales tax for the period 2/1/13 through 1/31/14.
- 0.10	Weighted average state excise tax rate.
4.025	Average price per gallon excluding state excise tax.
- 0.381	Sales tax amount included in average price per gallon (\$4.025/1.104416 = \$3.644. \$4.025 - \$3.644 = \$0.381).
3.644	Average price per gallon excluding state excise tax and sales tax.
x .0925	Combined state and local sales tax rate for diesel fuel.
<u>\$ 0.337</u>	Second component of the interstate users tax on diesel fuel.

Please place this item on the Board's February 2014 Calendar under the Property and Special Taxes Deputy Director's Report for approval.

DJG:jh

Approved:


 Cynthia Bridges, Executive Director

BOARD APPROVED
 at the _____ Board Meeting

 Joann Richmond, Chief
 Board Proceedings Division